



AKT®

CPAs AND BUSINESS CONSULTANTS

Personal. Local. Global.

January 19, 2012

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing an Unified Intercarrier Compensation Regime, CC Docket No. 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109; Mobility Fund, WT Docket No. 10-208

Dear Ms. Dortch:

AKT-LLP CPAs and Business Consultants (AKT) is a west coast regional firm of independent certified public accountants and advisors. We have been providing accounting, auditing, regulatory, consulting and tax compliance services to the telecommunications industry for almost 40 years. We are writing to express our concerns with the new reporting requirements that apply to all privately held rate-of return carriers receiving high cost and/or Connect America Fund support (specifically §54.313 *Annual reporting requirement for high-cost recipients*, paragraph (j)). These rules include the requirement for privately-held, rate-of-return carriers to provide an annual report of the company's financial condition and operations as of the end of the preceding fiscal year that is audited and certified by an independent certified public accountant in a form satisfactory to the Commission, and accompanied by a report of such audit. The initial filing deadline for this information is April 1, 2012 for what we assume to be the audits of the preceding fiscal year. AKT LLP has several concerns with the requirements issued which are outlined below.

Audit Process

The audit process is such that it can take anywhere from several weeks to several months to complete depending on the size and complexity of the company under audit. The process can be impacted further by the availability of information. The audit process includes planning, the performance of fieldwork and the preparation and delivery of reports. This process has a significant impact on the companies under audit as it requires the commitment of significant internal resources to coordinate and prepare for the audit. In addition, there is expense associated with hiring the certified public accountant to complete the audit procedures to issue the report. Many companies that currently receive a financial statement audit have developed their timelines and committed their resources around the current reporting deadline required by key industry lenders, such as the Rural Utilities Service (RUS), Rural Telephone Finance Cooperative (RTFC), and CoBank, which allows 120 days from the previous fiscal year-end to finalize the audit. AKT LLP, as well as many other public accounting firms with experience providing service to entities receiving high cost support, has structured their audit practice around meeting this deadline based on the needs of their clients.

The majority of the recipients operate on a calendar year basis, with fiscal years ending December 31st. Under the previous deadline of 120 days, there was at most a 13 to 14 week window for companies and accounting firms to complete audit fieldwork and issue an audit report. In order to comply with professional standards for audits, the engagement wrap-up includes review of all audit

680 HAWTHORNE AVENUE SE, #140, SALEM, OR 97301

PHONE: 503.585.7774 FAX: 503.364.8405

PORTLAND, OR :: SALEM, OR :: CARLSBAD, CA :: ESCONDIDO, CA :: SAN DIEGO, CA :: ANCHORAGE, AK

AKT LLP

documentation, preparing and finalizing the audit report and required communications with management and those charged with governance (i.e. Board of Directors and owners) prior to issuance of the audit report. All of these steps must be completed within 120 days and can take several weeks to complete. The enforcement of the new deadline of April 1, or 90 days from the calendar year-end, creates a condensed window to get the aforementioned audit fieldwork completed, and audit reports and financial statements issued. As many of our clients do not close their year-end transactions until approximately the third week of January and in some instances mid-February, the time available to perform these important reporting requirements is further diminished.

By requiring audits to be submitted by April 1st rather than May 1st, the Commission is reducing the timeframe companies and accounting firms have to complete the audit process by nearly a third. This will create a significant burden on companies and accounting firms and we are concerned this could result in a reduced number of audits performed by firms that have the appropriate level of industry expertise to provide the oversight that the Commission seeks with this requirement and therefore impact the quality of audits being performed.

AKT LLP has worked diligently to complete as much of the audit planning and field-work as possible in months prior to the 13 to 14-week window in order to meet the needs of our clients with internal staffing capacity. Even with this effort, we still only complete approximately 65 percent of the audits we are currently engaged to complete by April 1st. The remaining 35 percent are subject to constraints on finalization of year-end transactions, the availability of information from third-parties and other factors. Even so, the reports for these clients are completed by May 1st with a few exceptions. We believe these results are consistent with other public accounting firms who specialize in providing audit services to high cost recipients.

Delayed Audit Reports

There are also instances where a report may be delayed for reasons that are not within our clients' control. Examples include waiting for supporting information from actuarial reports or performance audit procedures on material investments relying on third parties to provide their audit reports. In order to manage these delays AKT has historically followed the RUS, RTFC, and CoBank deadlines of 120 days, but in some cases may require an extension. To deal with these situations we would like to compile a list of these companies and submit a request letter to the FCC asking for an extension that may have an open ended delivery date or at best an estimate of when the materials might be available. At this time it is unclear how the FCC intends to manage the extension requests and respond affirmatively to the request. AKT is asking the FCC to provide further clarification to the extension process.

Financial Statement Formats

We are asking for guidance from the FCC regarding the format of the financial statements and what level of detail should be included. Many companies report only the results of their regulated activities in operations while others report all their operating activities (regulated and nonregulated) in their operating results. Additionally, many companies file a consolidated audit report including balances of majority owned subsidiary entities that have operations unrelated to communication services and likely nonregulated services. Due to the public nature of the reports being submitted, companies may want to submit single statements only, excluding any subsidiary or holding company information. In some cases a qualified opinion will be issued disclosing a departure from GAAP because consolidating statements were not used.

We are requesting clarification as to the financial statement format and if the FCC expects operating results to be presented in a consistent manner (is there a prescribed format for the financial statements?). Also please confirm the format the FCC expects in regards to consolidated entities and if single company audited financial statements are an acceptable format for the FCC.

In summary, for the reasons stated above, AKT requests the Commission examine the April 1, 2012 deadline and modify the annual reporting deadline outlined in 47 CFR§54.313(f)(2) and §54.313(j) to at least May 1, potentially later, or further to defer the effective dates of this requirement to begin May 1, 2013 for audit reports of fiscal years ending during 2012. We further request clarification as to the format the financial information being submitted should take as outlined above.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via the ECFS with your office. We appreciate your responsiveness to our inquiries and please feel free to contact us to further discuss any of these issues.

Sincerely,

A handwritten signature in cursive script that reads "Scott Daniels".

Scott Daniels, Partner

AKT LLP